

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

PLUMTREE SOFTWARE, INC, a  
Delaware corporation,

Plaintiff

v

DATAMIZE, LLC, a Wyoming limited  
liability corporation,

Defendant.

No C-04-2777 VRW

ORDER

Plaintiff Plumtree Software, Inc ("Plumtree") brings this action to obtain a declaratory judgment that its products do not infringe on two of defendant Datamize, LLC's ("Datamize") patents. Doc #1 (Compl). Datamize moves the court to dismiss Plumtree's complaint pursuant to FRCP 12(b)(1). Doc #13 (Mot Dis). Plumtree opposes. Doc #33 (Opp Dis). Additionally, Plumtree moves for summary judgment in its favor on the ground that Datamize's patents, US Patent Nos 6,460,040 ("040 patent") and 6,654,418 ("418 patent"), are invalid pursuant to the on-sale bar doctrine, 35 USC § 102(b). Doc #8 (MSJ). Datamize opposes. Doc #30 (MSJ

1 Opp). Based on the parties' memoranda and the applicable federal  
2 law, the court DENIES Datamize's motion to dismiss and GRANTS  
3 Plumtree's motion for summary judgment.

4  
5 I

6 A

7 Plumtree is a publicly traded computer software company  
8 located in San Francisco, California. Mot Dis at 2. Plumtree  
9 develops, markets and licenses "corporate portal" software. A  
10 "corporate portal" is web-based software that brings together a  
11 variety of applications and information in a comprehensive platform  
12 within an organization. MSJ at 3. Plumtree's customers use its  
13 software to develop their own corporate Intranet sites, which allow  
14 employees to access, manage and search a variety of information  
15 from within and outside of the organization. Id.

16 Datamize is a start-up software company located in  
17 Missoula, Montana. Mot Dis at 2. In early 1993, Datamize's single  
18 employee, Kevin Burns, invented the two patents at issue in this  
19 case: the '040 and the '418 patents. Id. The '040 and the '418  
20 patents were entitled "Authoring System for Computer-based  
21 Information Delivery System" and were continuations of Burns's US  
22 Patent No. 6,014,137 (" '137 patent"). In December 1994, Burns  
23 first completed a version of his kiosk authoring tool "reduc[ing]  
24 to practice the inventions claimed in the claims of the three  
25 patents." Levin Decl, Ex 3 (Burns Depo) at 78:18-24. The '137,  
26 '040 and '418 patents were issued on January 11, 2000, October 1,  
27 2002, and December 2, 2003, respectively. Doc #9 (Levin Decl), Ex  
28 1-2; Doc #1, Ex A (VRW 02-05693).

1           The kiosk authoring tool that Burns designed using the  
2 '040 and '418 patents is a "multimedia kiosk authoring system for  
3 use in developing and maintaining user interface screens for  
4 multimedia kiosk systems." Levin Decl, Ex 1-2. Burns designed the  
5 authoring system to "be used by persons with little or no  
6 experience in the intricate details of computer programming thereby  
7 making it easier for a large number of persons to set up kiosk  
8 interface screens." Burns Decl at ¶ 3. The system "accomplishes  
9 this by providing pre-defined building blocks or screen elements  
10 (ie, pre-defined windows, buttons, and images) to be used in  
11 constructing an interface screen." Id. Burns described the  
12 invention as "a method used to build interface screens for a kiosk  
13 or computer system." Id.

14           In 1993, Kevin Burns and his father, Emmett Burns, formed  
15 Multimedia Adventures ("MA") to pursue the commercialization of the  
16 inventions disclosed in the '137, '040 and '418 patents. Burns  
17 Decl at ¶ 4; Levin Decl, Ex 5 (Emm Burns Depo) at 28:18-29:16.  
18 Kevin Burns described MA as "a marketing company that developed the  
19 computer system to market different entities with the first focus  
20 being the ski industry." Burns Depo at 20:8-10. In 1994, MA hired  
21 Jim Lorence to handle MA's sales and marketing. Levin Decl, Ex 4  
22 (Burns Depo 2) at 194:9-13. Between October 1994 and February  
23 1995, Lorence pitched MA's kiosk systems to Bally's Entertainment  
24 Corporation, Ski Lake Tahoe and Ski Industries America ("SIA").  
25 Levin Decl, Ex 17-18.

26           In the winter of 1994-1995, MA learned that SIA planned  
27 to hold a trade show in March 1995. Doc #30 (MSJ Opp) at 4. The  
28 trade show included the "Mountain Visions" store, at which thirty-

1 one companies paid \$2,000 to \$10,000 for booth space to feature  
2 their products. Emm Burns Depo at 129-130. On January 17, 1995,  
3 MA made a presentation to SIA consisting of "a series of foils  
4 describing MA, its business, and a demonstration of skiing-related  
5 full motion video and images[.]" MSJ Opp at 4-5. Specifically, MA  
6 presented its kiosk system, which "allowed users to walk up to the  
7 kiosks and navigate through screens to view information on products  
8 offered by various vendors, and to perform transactions on the  
9 kiosk." Travis Decl at ¶ 12. According to Emmett Burns, MA  
10 "wanted to show [SIA] the quality of the video and stuff we had  
11 and, hopefully, they would allow us in the [Mountain Visions]  
12 store." Emm Burns Depo at 134:8-10.

13 MA's demonstration was not interactive, and MA did not  
14 offer to sell anything to SIA. Id at 136:11-137:17; 135:20-22. MA  
15 did, however, agree to a "bargain" with SIA, whereby MA agreed: "If  
16 you [SIA] let us [MA] in the show, we [MA] will get content and put  
17 that into the system and have it in the Mountain Vision[s] store;  
18 and if that occurs, we want to be able to talk about it in the  
19 future." Id at 152. MA also asked SIA to waive the sponsorship  
20 fee that SIA normally charged to sponsors for the Mountain Visions  
21 store. Levin Decl, Ex 11 (Travis Decl) at ¶ 8.

22 On January 25, 1995, SIA sent a letter to Lorence at MA  
23 confirming the terms of their agreement. Travis Decl at ¶ 9-10, Ex  
24 B. In the agreement, MA agreed to (1) provide the software and  
25 hardware needed to host its kiosk system at the March 1995 trade  
26 show and (2) work to add content describing the other sponsors'  
27 products and services into the kiosk system -- at no charge to the  
28 other sponsors. Travis Decl at ¶ 10, Ex B. SIA agreed to (1)

1 provide MA with one-third of the space in the "electronic  
2 information center" in the Mountain Visions store and (2) waive the  
3 \$10,000 sponsorship fee for MA that SIA normally charged for  
4 exhibitors at the Mountain Vision store. Travis Decl ¶ 8, 10, Ex  
5 B. On or about January 26, 1995, MA signed an exhibit space  
6 contract and paid SIA \$2,430 for exhibiting fees. Burns Decl at ¶  
7 5.

8 Pursuant to the agreement, MA demonstrated its kiosk  
9 system product, SkiPath, in the Mountain Visions store at SIA's  
10 March 3-7, 1995, trade show in Las Vegas. Id at ¶ 6. At the trade  
11 show, MA set up, ran and dismantled its own kiosks. Id. MA never  
12 gave the kiosks or software to SIA. Id. Burns stated that he  
13 believed that this kiosk system displayed at SIA's 1995 trade show  
14 embodied all the claims of the '137, '040, and '418 patents. Burns  
15 Depo at 81:19-82:1.

16  
17 B

18 The present litigation is not the first time Datamize and  
19 Plumtree have met on the patent battlefield. The roots of the  
20 present action between Datamize and Plumtree stem back to May 17,  
21 2002. On that date, Datamize filed suit against Plumtree in the  
22 United States Court for the District of Montana in Missoula  
23 alleging infringement of the '137 patent (the "Montana action").  
24 Mot Dis at 3. Ever the friendly combatant, on this same date  
25 Datamize sent a letter to Plumtree informing it that:

26 Datamize believes that Plumtree is infringing  
27 the '137 Patent by, among other things,  
28 providing software enabling the operation of  
portals and kiosks employing customization and  
personalization features. We also believe that

1 Plumtree will infringe the claims in the  
2 continuation patent application when it issues  
3 as a patent [the later issued '040 patent].  
4 From the prior communications, it does not  
5 appear that Plumtree has appreciated the  
6 implications of Datamize's patent rights.

7 Id at 1-2.

8 Datamize's letter further informed Plumtree of the  
9 reasons behind the Montana action: "Because a direct assertion of  
10 patent infringement could subject Datamize to a declaratory  
11 judgment action by Plumtree in an inconvenient forum, [Datamize]  
12 has proceeded to preserve its rights by filing the attached  
13 Complaint in the United States District Court for the District of  
14 Montana (Missoula Division) where Datamize is located." Doc #1  
15 (Compl) Ex C at 2. To demonstrate further that Plumtree would soon  
16 be infringing the '040 patent, Datamize also enclosed the thirty-  
17 eight allowed claims later issued as the '040 patent on October 1,  
18 2002. Id.

19 On November 23, 2002, Magistrate Judge Leif Erickson of  
20 the district court in Missoula issued a report and recommendation  
21 that the Montana action be dismissed for lack of personal  
22 jurisdiction over Plumtree. Mot Dis at 3. In response to  
23 Magistrate Judge Erickson's report and recommendation, on December  
24 4, 2002, Plumtree filed suit in this court seeking a declaratory  
25 judgment for non-infringement of the '137 patent ("DJ1"). Doc #1  
26 (Compl) (VRW 02-05693). DJ1 was assigned to the undersigned.  
27 Plumtree agreed to stay DJ1 pending a ruling by a Montana district  
28 judge on the personal jurisdiction issue. Mot Dis at 3. On July  
8, 2003, Judge Donald Molloy adopted Magistrate Judge Erickson's  
findings and dismissed the Montana action for lack of personal

1 jurisdiction. Id. On August 7, 2003, Datamize filed a motion to  
2 realign itself as plaintiff in DJ1. The court granted realignment  
3 on October 6, 2003. Doc #32 (10/6/03 Order) at 8-9 (VRW 02-05693).

4 On September 3, 2003, Datamize filed a patent  
5 infringement claim against nine online security brokerage firms in  
6 the Eastern District of Texas, Marshall Division based on the '040  
7 patent ("TX action"). Id at 4. On April 15, 2004, Datamize moved  
8 to add additional infringement claims in the TX action based on the  
9 '418 patent, which issued on December 2, 2003. Opp Dis at 3. The  
10 judge in the TX action subsequently allowed Datamize to add these  
11 additional claims. Id. Plumtree, however, is not a defendant in  
12 the TX action. Mot Dis at 4.

13 On March 31, 2004, Plumtree filed a motion for summary  
14 judgment in DJ1 claiming that the '137 patent was indefinite. Id.  
15 On July 9, 2004, the court granted Plumtree's motion. Id. On  
16 August 5, 2005, the Federal Circuit affirmed the court's grant of  
17 summary judgment in favor of Plumtree. Doc #109 (VRW 02-05693).

18 On the same day that this court granted Plumtree's motion for  
19 summary judgment in DJ1, Plumtree filed a new complaint seeking a  
20 declaratory judgment of non-infringement of Datamize's '040 and  
21 '418 patents ("DJ2"). Doc #1 (Compl). DJ2 is the action currently  
22 before this court.

23 Datamize moves to dismiss DJ2 pursuant to FRCP 12(b)(1).  
24 Mot Dis at 1. Plumtree moves for summary judgement in DJ2 on the  
25 ground that the '040 and '418 patents are invalid under the on-sale  
26 bar, 35 USC § 102(b). MSJ at 1.

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28 //

## II

The court must first address Datamize's motion to dismiss DJ2 for lack of subject matter jurisdiction. See Ruhrigas Ag v Marathon Oil Co, 526 US 574, 578 (1999) ("Customarily, a federal court first resolves doubt about its jurisdiction over the subject matter \* \* \*").

The Constitution limits the exercise of judicial power to "cases" and "controversies." Aetna Life Insurance Co of Hartford, Conn v Haworth, 300 US 227, 239 (1937). The Declaratory Judgment Act of 1934 ("DJA"), 28 USC § 2201, provides in relevant part:

In a case of actual controversy within its jurisdiction \* \* \* any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 USC § 2201(a).

"In the declaratory judgment context, the question in each case is whether the facts alleged, under all of the circumstances show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." Sierra Applied Sciences, Inc v Advanced Energy Industries, Inc, 363 F3d 1361, 1372 (Fed Cir 2004) (hereinafter "Sierra Applied").

Federal Circuit law governs whether a case or controversy exists for declaratory judgment actions based on patent law. Shell Oil Co v Amoco Corp, 970 F2d 885, 888 n4 (Fed Cir 1992). The



1 Federal Circuit has developed a two-part test to determine whether  
2 a case or controversy exists under the DJA. For a district court  
3 to have jurisdiction over a patent declaratory judgment matter,  
4 "[t]here must be both (1) an explicit threat or other action by the  
5 patentee, which creates a reasonable apprehension on the part of  
6 the declaratory plaintiff that it will face an infringement suit,  
7 and (2) present activity which could constitute infringement or  
8 concrete steps taken with the intent to conduct such activity."  
9 Sierra Applied Sciences, 363 F3d at 1373 (quoting BP Chemicals, Ltd  
10 v Union Carbide Corp, 4 F3d 975, 978 (Fed Cir 1993)).

11 When there is an express charge of infringement, an  
12 actual controversy exists and the Federal Circuit has found the  
13 first prong satisfied. See Arrowhead Industrial Water, Inc v  
14 Ecolochem, Inc, 846 F2d 731, 736 (Fed Cir 1988). In the absence of  
15 an express charge of infringement, courts make "[a]n examination of  
16 the totality of the circumstances \* \* \* to determine whether there  
17 is a controversy." Vanguard Research, Inc v PEAT, Inc, 304 F3d  
18 1249, 1254-55 (Fed Cir 2002); Arrowhead, 846 F2d at 736 ("When the  
19 defendant's conduct, including its statements, falls short of an  
20 express charge, one must consider the 'totality of the  
21 circumstances' in determining whether that conduct meets the first  
22 prong of the test.").

23 "To constitute an actual controversy, the plaintiff has  
24 the burden of establishing by a preponderance of the evidence \* \* \*  
25 that it has a reasonable apprehension that it will be sued. The  
26 test is an objective one \* \* \*." Shell Oil Co, 970 F2d at 887-88.  
27 If the defendant, through a FRCP 12(b)(1) motion, "denies or  
28 controverts [plaintiff's] allegations of jurisdiction, \* \* \* the

1 movant is deemed to be challenging the factual basis for the  
2 court's subject matter jurisdiction." Cedars-Sinai Medical Center  
3 v Watkins, 11 F3d 1573, 1583 (Fed Cir 1993):

4  
5 In such a case, the allegations in the  
6 complaint are not controlling \* \* \* and only  
7 uncontroverted factual allegations are accepted  
8 as true for purposes of the motion \* \* \*. In  
9 establishing the predicate jurisdictional  
10 facts, a court is not restricted to the face of  
11 the pleadings, but may review evidence  
12 extrinsic to the pleadings, including  
13 affidavits and deposition testimony.

14  
15 Id at 1583-84.

16  
17 Datamize only discusses the first prong in its motion to  
18 dismiss, Doc #13, and thus it appears that the second prong of the  
19 Sierra Applied test -- that Plumtree sells allegedly infringing  
20 software -- is not in dispute. Accordingly, in determining whether  
21 the jurisdiction requirements of the DJA are met, the court need  
22 only address the first prong of the Sierra Applied test.

### 23 24 25 26 27 28 III

29  
30 The first prong of the Sierra Applied test requires "an  
31 explicit threat or other action by the patentee, which creates a  
32 reasonable apprehension on the part of the declaratory plaintiff  
33 that it will face an infringement suit." Sierra Applied, 363 F3d  
34 at 1373 (emphasis added). Datamize presents two primary arguments  
35 why this prong is not satisfied in DJ2. First, Datamize contends  
36 that its May 17, 2002, letter to Plumtree and the separate TX  
37 action do not constitute an explicit threat causing reasonable  
38 apprehension of a future infringement suit involving either the  
39 '040 or '418 patent. Mot Dis at 6-8. Second, Datamize asserts

1 that the passage of time between the filing of DJ1 and DJ2  
2 demonstrates that Plumtree was not motivated by an "objectively  
3 reasonable apprehension of suit." Id at 6-7. In the alternative,  
4 Datamize argues that even if the court were to find that subject  
5 matter jurisdiction exists, the court should decline to exercise  
6 jurisdiction because Plumtree is using the DJA "as a tool to gain  
7 [an] \* \* \* improper procedural advantage." Id at 9.

8 The court addresses each argument, and why it fails to  
9 persuade, in turn.

10  
11 1

12 Datamize asserts that the May 17, 2002, letter and the TX  
13 action are insufficient to constitute an "explicit threat" of an  
14 infringement suit on the '040 and '418 patents. The court  
15 addresses each patent separately.

16  
17 The '040 Patent

18 As to the '040 patent, Datamize admits that the May 17,  
19 2002, letter "notifying Plumtree that Datamize had filed suit on  
20 the '137 Patent also happened to mention, among other things,  
21 potential infringement of the yet to be issued '040 Patent." Id at  
22 6. But, Damatize asserts, "that letter does not provide a basis  
23 for this action [DJ2]" because it was not an "act [] threatening  
24 suit." Id. Datamize cites Shell Oil and Phillips Plastics Corp v  
25 Kato Hatsujou Kabushiki Kaisha, 57 F3d 1051 (Fed Cir 1995), in  
26 support of its argument.

27 In Shell Oil, in anticipation of commercializing its  
28 catalysts, Shell Oil ("Shell") proposed an agreement, in which

1 Amoco would agree not to assert its patent against Shell's  
2 catalysts and Shell would pay \$100,000 for a paid-up license.  
3 Shell Oil, 970 F2d at 886. After failed counter-offers, Amoco  
4 wrote to Shell: "It is our understanding from our previous  
5 discussion that the catalyst falling within the Amoco patent would  
6 be used in [Shell's plants]." Id (emphasis added). When Shell  
7 filed a declaratory judgment action, the court found no reasonable  
8 apprehension: "[A] statement that Shell's activities 'fall within'  
9 Amoco's claims in the context of the parties' licensing  
10 negotiations can hardly be considered an express charge of  
11 infringement." Id at 888.

12 In Phillips Plastics, Kato Hatsujou KK ("Kato") contacted  
13 Phillips Plastics ("Phillips"), stating that certain fasteners made  
14 by Phillips were "covered by" Kato's patent and inviting Phillips  
15 to take a license under the patent. 57 F3d 1052. When Kato  
16 reissued its patent five years later, it wrote again to Phillips  
17 offering a license and enclosing a copy of the reissued patent.  
18 Id. Instead of responding to Kato's request to put together a  
19 licensing agreement, Phillips filed a declaratory judgment action.  
20 The court held no reasonable apprehension despite Kato's offers of  
21 a patent license and statements that Phillips's fasteners "were  
22 covered by" the claims of the patent. Id at 1053-54.

23 The threat of legal action in the present case is far  
24 stronger than the threats in Shell Oil and Phillips Plastics. In  
25 Shell Oil, patent holder Amoco only mentioned that Shell's  
26 activities might "fall within" Amoco's patent claims when the two  
27 companies began negotiating a license. 970 F2d at 889. The court  
28 held: "It is possible that, even after the conversations reached an

1 impasse, Amoco might never have sued, either because the validity  
2 of its patent was doubtful or its infringement argument was too  
3 weak. In fact, if Shell had never approached Amoco, Amoco might  
4 never have considered any action against Shell." Id.

5 Similarly, in Phillips Plastics, patentee Kato merely  
6 invited Phillips to take a license under its patent after informing  
7 Phillips that certain products of theirs were "covered by" Kato's  
8 patent. 57 F3d at 1051. In neither of these cases did the  
9 patentee accompany its statement of potential infringement with (1)  
10 a suit of a parent patent or (2) a statement regarding a specific  
11 forum for infringement litigation.

12 Accordingly, the court concludes that Datamize's May 17,  
13 2002, letter represented an "explicit threat or other action" that  
14 would cause reasonable apprehension of an infringement suit on the  
15 '040 patent. Datamize is correct in asserting that the letter only  
16 expressly stated its "belief" that Plumtree would infringe its  
17 soon-to-be-issued '040 patent. Compl, Ex C at 1 ("We also believe  
18 that Plumtree will infringe the claims in the continuation patent  
19 application when it issues as a patent [the later issued '040  
20 patent]"). The remaining language of the letter, however,  
21 demonstrates an explicit threat. Datamize wrote further: "From  
22 the prior communications, it does not appear that Plumtree has  
23 appreciated the implications of Datamize's patent rights." Id at  
24 1-2. To clarify these "implications," Datamize included a copy of  
25 the thirty-eight additional claims issued later as the '040 patent.  
26 Id at 1.

27 More importantly, Datamize made clear that it was willing  
28 to file suit to settle alleged infringement: "Because a direct

1 assertion of patent infringement could subject Datamize to a  
2 declaratory judgment action by Plumtree in an inconvenient forum,  
3 [Datamize] has proceeded to preserve its rights by filing the  
4 attached Complaint [regarding the '137 patent] in the United States  
5 District Court for the District of Montana (Missoula Division)  
6 where Datamize is located." Id at 2. This statement demonstrated  
7 that Datamize's decision to file suit was motivated not only by  
8 Plumtree's alleged infringement, but also by its intent to ensure  
9 litigation in its preferred forum.

#### 11 The '418 Patent

12 Regarding the '418 patent, Datamize argues that "Plumtree  
13 cannot bootstrap the May 17, 2002, letter into subject matter  
14 jurisdiction over the '418 Patent." Id at 7. Datamize insists  
15 that its statement that "[w]e also believe that Plumtree will  
16 infringe the claims in the continuation patent application when it  
17 issues as a patent" referenced only the yet-to-be-issued '040  
18 patent, not the '418 patent. Id. Datamize states further: "In  
19 fact, the patent application that eventually issued as the '418  
20 patent had not even been filed at the time of the letter." Id.

21 The court agrees with Datamize that the May 17, 2002,  
22 letter had "absolutely nothing to do with the '418 patent." Mot  
23 Dis at 7. But this fact is of little moment, for even if a  
24 defendant does not "expressly charge" the plaintiff with  
25 infringement, "if the circumstances warrant, a reasonable  
26 apprehension may be found in the absence of any communication from  
27 defendant to plaintiff." Arrowhead, 846 F2d at 736. In Goodyear  
28 Tire & Rubber Co v Releasomers Inc, 824 F2d 953, 956 (Fed Cir

1 1987), the Federal Circuit similarly stated that "we cannot read  
2 the Declaratory Judgment Act so narrowly as to require that a party  
3 actually be confronted with an express threat of litigation to meet  
4 the requirements of an actual case or controversy."

5         Applying the totality of the circumstances approach  
6 required by the Federal Circuit, the court concludes that Plumtree  
7 had a "reasonable apprehension" that it was going to face an  
8 infringement suit from Datamize regarding the '418 patent. First,  
9 Datamize had already sued Plumtree on the '137 patent. As the  
10 parent patent to '040 and '418, the '137 patent shares the  
11 identical specification. Opp Dis at 9. In Goodyear, the Federal  
12 Circuit held that a prior infringement suit between two parties was  
13 relevant to determining reasonable apprehension under the DJA: "By  
14 suing [] in state court for the same technology as is now covered  
15 by the patents, [plaintiff, patentee] has engaged in a course of  
16 conduct that shows a willingness to protect that technology." 824  
17 F2d at 956.

18         Next, the TX action added to Plumtree's "reasonable  
19 apprehension." Although this suit was initially based solely on  
20 the '040 patent, Datamize successfully sought to have the '418  
21 patent added four months after the '418 patent was issued. Doc #29  
22 (Volk Decl), Ex A. In its motion to amend to add the '418 patent  
23 in the TX action, Datamize stated that "it would be highly  
24 surprising if Defendants' counsel had not specifically considered  
25 the possibility that Datamize would add the '418 Patent to this  
26 case." Id at 3 (emphasis in original). Hence, Plumtree recognized  
27 the strong likelihood that a suit regarding the '040 patent would  
28 later include the similar '418 patent.

1 Furthermore, Plumtree also learned that Datamize had  
2 expressly identified Plumtree's products as infringing the '040 and  
3 the '418 patent in the TX action. Volk Decl ¶ 3, Ex B at 8-9. In  
4 its response to Interrogatory No 5 in the TX action, Datamize  
5 stated: "The following products incorporate or embody one or more  
6 claimed inventions of the patents-in-suit: [] Plumtree Corporate  
7 Portal [and] Plumtree Enterprise Web Suite[.]" Id. Datamize's  
8 response is a clear assertion that Plumtree's products infringed  
9 both the '040 and the '418 patent.

10 In opposition to this evidence, Datamize argues that  
11 previously filed lawsuits against "unrelated third parties" have  
12 been held "insufficient to suggest a future lawsuit" in a district  
13 court case. Mot Dis at 8 (citing Charles Machine Works, Inc v  
14 Digital Control, Inc, 264 F Supp 2d 980, 981 (WD Ok 2003)). The  
15 Federal Circuit, however, has held that such third party suits are  
16 relevant: "related litigation may be evidence of a reasonable  
17 apprehension." Shell Oil, 970 F2d at 888. And it is Federal  
18 Circuit law that controls this court's decision.

19 For the foregoing reasons, the court holds that the  
20 amalgamation of (1) the May 17, 2002, letter, (2) the '137  
21 infringement suit and (3) the TX action represents an "explicit  
22 threat or other action" that would cause Plumtree to have a  
23 "reasonable apprehension" of suit.

24  
25 2

26 Datamize also contends that Plumtree was not motivated by  
27 "reasonable apprehension" in filing DJ2. Specifically, Datamize  
28 focuses on the passage of time before Plumtree filed DJ2. Mot Dis



1 at 6. First, Datamize states that Plumtree knew about the '040  
2 patent (issued on October 1, 2002) for almost two years and the  
3 '418 patent (issued on Dec 2, 2003) for approximately eight months  
4 before filing DJ2 on July 9, 2004. Despite this knowledge,  
5 Plumtree did not seek to add either of these patents to DJ1 (filed  
6 on December 4, 2002 and decided on July 9, 2004). Id.

7 Furthermore, Datamize argues that its threatening letter  
8 "was sent on May 17, 2002, over two years before Plumtree ever  
9 filed its emergency declaratory judgment action." Id. Datamize  
10 states that "if that letter had truly created an objectively  
11 reasonable apprehension of suit on the '040, Plumtree would have  
12 included the '040 Patent in Plumtree DJ1, as opposed to filing  
13 [DJ2] approximately two years later." Id at 7. Based on this  
14 chronology, Datamize insists that in filing DJ2, Plumtree had at  
15 most a "nervous state of mind of a possible infringer," which under  
16 Federal Circuit precedent is insufficient to meet the "reasonable  
17 apprehension of suit test." Id at 8 (citing Phillips Plastics  
18 Corp, 57 F3d at 1053). The court finds this argument unpersuasive.

19 First, the Sierra Applied test is an objective one, not  
20 subjective. See Shell Oil Co, 970 F2d at 887-88. Next, although  
21 Datamize is correct that DJ2 (filed on July 9, 2004) could have  
22 been filed earlier, Datamize offers no precedent requiring Plumtree  
23 to do so.

24 Indeed, one court has rejected the temporal argument put  
25 forward by Datamize. In Hakuto Co v Emhart Industries, Inc, 1989  
26 WL 24118, \*3 (ND Ill 1989), the court concluded that letters  
27 alleging infringement sent three years prior to a declaratory  
28 judgment action were "sufficient to create a reasonable

1 apprehension of [patentee's] intent to bring suit to enforce its  
2 patent." Despite the patentee's contention that the letters were  
3 "old news," the court found jurisdiction under the DJA because  
4 "there [wa]s nothing to indicate that [patentee's] intent ha[d]  
5 changed between the date [alleged infringer] received the letters  
6 and the date it filed the complaint." Id. Similarly there is no  
7 evidence in the present case indicating that Datamize's intention  
8 to pursue litigation over alleged infringements of its '040 and  
9 '418 has changed. For these reasons, the court holds that  
10 Plumtree's apprehension and its filing of DJ2 were reasonable.

## 3

13 Finally, Datamize argues that even if the court finds  
14 subject matter jurisdiction over DJ2, the court should decline to  
15 exercise its jurisdiction because Plumtree is "openly us[ing] the  
16 resources of the judicial system as a tool to gain some improper  
17 procedural advantage." Mot Dis at 9. Specifically, Datamize  
18 asserts that DJ2 is an attempt by Plumtree to gain a "strategic  
19 advantage" through "forum shopping." Id at 6. Datamize emphasizes  
20 that Plumtree filed DJ2 in this court "just hours" after this court  
21 granted summary judgment in DJ1 on July 9, 2004. Id. Datamize  
22 states: "It would therefore seem that Plumtree took a calculated  
23 risk in filing [] DJ2 in yet another attempt to procure what it  
24 perceived as some kind of strategic advantage over Datamize." Id.  
25 The court is unconvinced.

26 Datamize provides the court with no explanation regarding  
27 what Plumtree's purported "strategic advantage" is; it offers only  
28 bald conclusions. Moreover, Datamize has no business accusing

1 Plumtree of forum-shopping, as Datamize has twice stated its  
2 intention to obtain its own preferred forum -- in Missoula, Montana  
3 and Marshall, Texas, respectively. See May 17, 2002, letter (Doc  
4 #1, Ex C) and August 12, 2004, letter (Volk Decl at ¶ 4, Ex C).

5 Having established subject matter jurisdiction, the court  
6 next addresses Plumtree's motion for summary judgment.

7  
8 IV

9 35 USC § 102(b) provides: "A person shall be entitled to  
10 a patent unless \* \* \* the invention was \* \* \* in public use or on  
11 sale in this country, more than one year prior to the date of the  
12 application for patent in the United States \* \* \*." The date  
13 exactly one year prior to the date of the patent application is  
14 known as the "critical date." Scaltech, Inc v Retec/Tetra, LLC,  
15 269 F3d 1321, 1327 (Fed Cir 2001). The on-sale bar applies when  
16 two conditions are satisfied prior to the critical date: (1) the  
17 product was the subject of "a commercial offer for sale" and (2)  
18 the invention was "ready for patenting" during this offer for sale.  
19 Pfaff v Wells Electronics, Inc, 525 US 55, 67 (1998). If the above  
20 two conditions are met, the court must then determine whether the  
21 product offered for sale embodies the claims of the patent. See  
22 Scaltech, 269 F3d at 1329.

23 Plumtree argues that the '040 and '418 patents are  
24 invalid under the on-sale bar. MSJ at 8-12. First, Plumtree  
25 asserts that Datamize's claimed inventions of the '040 and '418  
26 patents satisfy the second prong of the Pfaff test because the  
27 inventions were ready for patenting prior to the critical date.  
28 MSJ at 8-9. Datamize does not dispute this contention, MSJ Opp at

1 6; thus, the court need only address the first prong of the Pfaff  
2 test. Regarding the first prong, Plumtree argues (1) that  
3 Datamize's participation in SIA's trade show represented an offer  
4 for sale of the claimed inventions of the '040 and '418 patents,  
5 Id at 10, and (2) that Datamize has "already admitted that the  
6 subject matter of the agreement with SIA embodied all of the claims  
7 of the '040 and '418 patents." Id at 12.

8 Datamize opposes Plumtree's arguments as to the first  
9 prong of Pfaff. MSJ Opp at 6-13. Specifically, Datamize contends  
10 that the purchase of space in SIA's trade show did not constitute  
11 "a commercial offer for sale." Id at 7-12. Next, Datamize asserts  
12 that Plumtree has not presented "clear and convincing evidence"  
13 that the subject of the alleged offer for sale meets every  
14 limitation of the claims of the '040 and '418 patents. Id at 6.  
15 Alternatively, Damatize asserts that Plumtree's motion for summary  
16 judgment is "premature" because Datamize's motion to dismiss has  
17 not yet been ruled on and "Plumtree filed its motion before any  
18 discovery has occurred in this case." Id at 13. The court  
19 addresses these arguments in turn.

20  
21 1

22 "Only an offer which rises to the level of a commercial  
23 offer for sale, one which the other party could make into a binding  
24 contract by simple acceptance (assuming consideration), constitutes  
25 an offer for sale under § 102(b)." Scaltech, 269 F3d at 1328  
26 (citation omitted). An offer for sale does not, however, have to  
27 be accepted to implicate the on-sale bar. Id. "To determine if  
28 the offer is sufficiently definite, one must examine the language

1 of a proposal in accordance with the principles of general contract  
2 law." Id (citation omitted). The Uniform Commercial Code ("UCC")  
3 is an "important relevant source of general contract law \* \* \*."  
4 Id.

5 In the instant case, the court concludes that Datamize's  
6 presentation at SIA's trade show constituted a "commercial offer  
7 for sale" under § 102(b). First, MA's meeting with SIA on January  
8 17, 1995 and subsequent agreement on January 25, 1995, both  
9 occurred before the critical date: February 27, 1995. At the  
10 January 17, 1995, meeting, "MA offered to provide its interactive  
11 electronic kiosk system during the March 1995 trade show, and to  
12 commit its development resources to include content from SIA  
13 manufacturers and sponsors, and to present that content using MA's  
14 technology during the show." Travis Decl at ¶ 8.

15 Following the meeting, SIA accepted MA's offer and in  
16 return "provide[d] MA with a prime location in the Mountain Visions  
17 store for it to present its kiosk system and to waiver the fee  
18 normally charged to primary sponsors participating in Mountain  
19 Visions." Id at ¶ 8-9. This agreement constitutes an "offer for  
20 sale," which SIA "ma[de] into a binding contract with simple  
21 acceptance." See Scaltech, 269 F3d at 1328. In addition, Datamize  
22 received consideration: MA was granted a "prime location" and its  
23 fee was waived in exchange for the display of MA's kiosk.

24 But Datamize asserts that this agreement was not a  
25 "commercial offer for sale" because there was "no transfer of title  
26 to, lease or license of any software or other intellectual  
27 property." MSJ Opp at 7. Datamize states that "the activity which  
28 Plumtree relies on is the mere negotiation between two parties for

1 the right to floor space at a trade show." Id. Datamize cites UCC  
2 § 2-106 (defining "sale" as "passing title from the seller to the  
3 buyer for a price") and UCC § 2A-103 (defining lease as "a transfer  
4 of the right of possession and use of goods for term in return for  
5 consideration") as support for its argument. Id at 8. According  
6 to Datamize, "MA never sold anything to SIA \* \* \*. At no time did  
7 MA ever grant SIA any title or right to control what was being  
8 exhibited at the trade show." Id at 7-8.

9           Datamize's argument is flawed. In essence, Datamize  
10 fails to recognize the distinction between "tangible item" (or  
11 "apparatus") claims and "process" (or "method") claims. In In re  
12 Kollar, the Federal Circuit held that "a tangible item is on sale  
13 when \* \* \* the transaction rises to the level of a commercial offer  
14 for sale under the Uniform Commercial Code \* \* \*. When money  
15 changes hands as a result of a transfer of title to the tangible  
16 item, a sale normally has occurred." 286 F3d 1326, 1332 (Fed Cir  
17 2002). In contrast, "a process \* \* \* consists of acts, rather than  
18 a tangible item. It consists of doing something, and therefore has  
19 to be carried out or performed. A process is thus not sold in the  
20 same sense as a tangible item." Id.

21           Scaltech provides a vivid example of this distinction.  
22 Prior to the critical date, the patentee in Scaltech had contacted  
23 two third parties and offered to perform its claimed process for  
24 treating oil refinery waste. 269 F3d at 1326. The Federal Circuit  
25 held:

26           [W]e think the fact that the process itself was  
27 not offered for sale but only offered to be  
28 used by the patentee to process waste does not  
take it outside the on sale bar rule. The on  
sale bar rule applies to the sale of an

1 "invention," and in this case, the invention  
2 was a process \* \* \*. As a result, the process  
3 involved in this case is subject to § 102(b).  
4 In this case, commercial exploitation was  
involved. Accordingly, the on sale bar rule is  
implicated.

5 Id at 1328.

6 Citing Scaltech, the Kollar court held that "[a]ctually  
7 performing the process itself for consideration would similarly  
8 trigger the application of § 102(b)." In re Kollar, 286 F3d at  
9 1333.

10 Applying these principles, it is clear the on-sale bar is  
11 triggered by the facts of this case. Kevin Burns described the  
12 interactive electronic kiosk system that MA presented at SIA's  
13 March 1995 trade show as "a method used to build interface screens  
14 for a kiosk or computer system." Burns Decl ¶ 3 (emphasis added).  
15 In its agreement with SIA, MA agreed to (1) provide the  
16 software/hardware package necessary to produce the interactive  
17 touch-screen information center; (2) provide multiple copies of  
18 this software/hardware package; (3) work to put other product  
19 sponsors on the interactive system at no charge to these companies;  
20 (4) provide looped advertising/entertainment videos for the  
21 overhead monitors; and (5) exhibit within the trade show. Travis  
22 Decl at ¶ 10. These acts constitute an agreement to "perform" a  
23 method claim. Accordingly, MA's agreement with SIA to take part in  
24 the March 1995 trade show constituted a "commercial offer for  
25 sale."

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28 //

Having found a "commercial offer for sale," the court addresses whether the subject matter of the agreement with SIA embodied all of the claims of the '040 and '418 patents. This inquiry will not detain the court long, for Kevin Burns has testified repeatedly that the kiosk at the trade show embodied all of the claims. In his June 2004 deposition, Burns testified that the authoring tool he built in December 1994 "embodied all the claims of all three of Datamize's patents ['137, '040 and '418]." Levin Decl, Ex 3 at 83: 11-15. Burns testified further that this tool was used to create the SkiPath product that was demonstrated in March 1995 at the SIA trade show. Id at 83: 16-19. At two other points in his deposition Burns made clear that the system that he demonstrated at the trade show embodied all of the claims of the '040 and '418 patents. Id at 81:19-82:1; 84:15-18.

Seven months later, and facing Plumtree's current motion for summary judgment, Burns filed a declaration contradicting his deposition testimony. Burns Decl at ¶ 8. Specifically, Burns now states:

I have determined that the version of SkiPath demonstrated at the trade show did not practice every claim of those patents. \* \* \* My careful review of the patents and the Skipath product demonstrated at the SIA trade show leads me to the conclusions that SkiPath did not practice [18 claims] of the '040 patent or [14 claims] of the '418 patent.

Id.

Burns offers no explanation for the change in his position.

This court has held that parties cannot use such declarations to defeat summary judgment. See Martinez v Marin



Sanitary Service, 349 F Supp 2d 1234, 1242 (ND Cal 2004) (Walker, J) ("If a party who has been examined at length on deposition could raise an issue of fact simply by submitting an affidavit contradicting his own prior testimony, this would greatly diminish the utility of summary judgment as a procedure for screening out sham issues of fact."). Accordingly, Datamize fails to raise a genuine issue of fact as to whether MA's agreement with SIA embodied all of the claims of the '040 and '418 patents.

3

Under FRCP 56(a), Plumtree is permitted to file a motion for summary judgment at any time "after the expiration of twenty days from the commencement of the action." Because Plumtree filed //

1 its motion more than three months after commencing DJ2, its motion  
2 is timely.

3           Whether to allow further discovery under Rule 56(f) is a  
4 subject committed to the district court's discretion. Nidds v  
5 Schindler Elevator Corp, 113 F3d 912, 920 (9th Cir 1996). The  
6 party seeking a Rule 56(f) continuance must demonstrate that: (1)  
7 it has set forth in affidavit form the specific facts that it hopes  
8 to elicit from further discovery; (2) the facts sought actually  
9 exist; and (3) these sought-after facts are essential to resist the  
10 summary judgment motion. California v Campbell, 138 F3d 772, 779  
11 (9th Cir 1998).

12           Datamize has fulfilled none of the Campbell requirements.  
13 Although Datamize contends that the deposition of Jim Lorence "was  
14 adjourned before Datamize even had the opportunity to ask any  
15 questions," Datamize does not (1) set forth any specific facts that  
16 it hopes to discover by deposing Lorence or (2) why these facts are  
17 essential to raise a genuine issue of material fact. MSJ Opp at  
18 13. Accordingly, the court DENIES Datamize's Rule 56(f) request to  
19 postpone Plumtree's motion for summary judgment.

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IV

For the foregoing reasons, the court DENIES Datamize's motion to dismiss (Doc #13), DENIES Datamize's FRCP 56(f) application and GRANTS Plumtree's motion for summary judgment (Doc #8). The clerk is directed to ENTER JUDGMENT for Plumtree, TERMINATE all motions and CLOSE the file.

IT IS SO ORDERED.



VAUGHN R WALKER

United States District Chief Judge